

STATE OF SOUTH CAROLINA

Petition of South Carolina Electric & Gas Company
for authorization to defer as a regulatory asset the
depreciation expense incurred from the operation of
certain pollution control facilities and to charge and
record carrying costs on the account balance.

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

COVER SHEET

DOCKET

NUMBER: 2010 - ____ - E

(Please type or print)

Submitted by: K. Chad Burgess

SC Bar Number: 69456

Address: SCANA Corp.

Telephone: 803-217-8141

220 Operation Way, MC-C222

Fax: 803-217-7931

Cayce, SC 29033

Other: _____

Email: chad.burgess@scana.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ **Emergency Relief demanded in petition** ☐ **Request for item to be placed on Commission's Agenda expeditiously**

☐ **Other:** _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigator	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



K. Chad Burgess
Associate General Counsel

chad.burgess@scana.com

November 1, 2010

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: South Carolina Electric & Gas Company
Petition for an Accounting Order
Docket No. 2010-____-E

Dear Ms. Boyd:

Enclosed for filing, on behalf of South Carolina Electric & Gas Company, is a Petition for an accounting order seeking authorization to defer as a regulatory asset the depreciation expense incurred from the operation of certain pollution control facilities and to charge and record carrying costs on the account balance.

By copy of this letter, we are providing counsel for the South Carolina Office of Regulatory Staff with a copy of the petition and enclose a certificate of service to that effect.

If you have any questions, please advise.

Very truly yours,

K. Chad Burgess

KCB/mcs
Enclosure

cc: Jeffrey M. Nelson, Esquire
(via electronic mail and First Class U.S. Mail)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA
DOCKET NO. 2010 - ____ - E

IN RE:

Petition of South Carolina Electric & Gas Company for authorization to defer as a regulatory asset the depreciation expense incurred from the operation of certain pollution control facilities and to charge and record carrying costs on the account balance.)	
)	
)	
)	
)	PETITION OF SOUTH CAROLINA
)	ELECTRIC & GAS COMPANY
)	FOR AN ACCOUNTING ORDER
)	
)	

South Carolina Electric & Gas Company ("SCE&G" or "Company") hereby files with the Public Service Commission of South Carolina ("Commission") this petition, pursuant to S.C. Code Ann. § 58-27-1540 (Supp. 2009) and 26 S.C. Code Ann. Reg. 103-825 (1976, as amended), seeking an accounting order for regulatory accounting purposes thereby authorizing SCE&G to (i) defer as a regulatory asset the depreciation expense incurred by SCE&G resulting from the in-service operation of a flue gas desulphurization unit and associated facilities ("Scrubber") at the Company's Wateree Generating Station located in Richland County ("Wateree Station") and (ii) charge and record carrying costs on the balance in the regulatory asset account as of the end of each month, with carrying costs to be calculated using the rate of interest as of the first day of each month for 3-year U.S. Government Treasury Notes, as reported in the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points).

The request for relief set forth herein will not involve a change to any of SCE&G's retail rates or prices at this time, or require any change in any Commission rule, regulation or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding. Accordingly, neither notice to the public at-large, nor a hearing is required regarding this Petition.

In support of this Petition, the Company would respectfully show unto this Commission the following key facts and would request of and apply to the Commission for the following relief:

1. SCE&G is a corporation organized and existing under the laws of the State of South Carolina. Further, SCE&G is, in part, an electric utility engaged in the generation, transmission, distribution, and sale of electricity to the public for consumption. SCE&G's retail electric operations are subject to the jurisdiction of the Commission pursuant to the provisions of Chapter 27 of Title 58 of the South Carolina Code of Laws.

2. SCE&G operates an integrated electric utility system that serves over 654,000 customers in 24 counties covering nearly 17,000 square miles in central, southern and southwestern portions of South Carolina. SCE&G's service territory includes the metropolitan areas of Charleston, Columbia, Beaufort, and Aiken and many other smaller cities and towns, and rural areas in South Carolina.

3. Corporate legal counsel for SCE&G in this proceeding are as follows:

K. Chad Burgess, Esquire
Matthew W. Gissendanner, Esquire
South Carolina Electric & Gas Company
Mail Code C222
220 Operation Way
Cayce, South Carolina 29033-3701
Telephone: 803-217-8141
Facsimile: 803-217-7810
chad.burgess@scana.com
matthew.gissendanner@scana.com

All correspondence and any other matters relative to this proceeding should be addressed to SCE&G's authorized representatives as stated hereinabove.

4. In 2005, the United States Environmental Protection Agency ("EPA") issued a final rule known as the Clean Air Interstate Rule ("CAIR"). CAIR required the District of Columbia and twenty-eight (28) states, including South Carolina, to reduce sulfur dioxide ("SO₂") and nitrogen oxide ("NO_x") emissions in order to attain mandated air quality levels. CAIR established emission limits to be met in two phases beginning in 2009 and 2015, respectively for NO_x and beginning in 2010 and 2015, respectively for SO₂. In addition, the EPA required certain states, including South Carolina, to enact a State Implementation Plan designed to address air quality issues. The South Carolina State Implementation Plan (the "Plan") required, among other things, the reduction of SO₂ emissions from coal-fired generating facilities. The Plan also required a reduction in NO_x emissions in the months of May through September. CAIR and the Plan directly impact SCE&G's electric generation facilities.

5. As a result of CAIR and the Plan, and to meet environmental compliance requirements, SCE&G decided to install a Scrubber at the Company's Wateree Station to reduce SO₂ emissions at the plant. The Company also decided to install other pollution

control facilities at certain other electric generating stations to comply with federal and state laws.

6. In December 2008, the United States Court of Appeals for the District of Columbia Circuit remanded CAIR but did not vacate it; thus, CAIR remains in effect pending reconsideration of a replacement rule consistent with the Court's opinion.¹ As a result, the Company continued construction of the Scrubber at Wateree Station because SCE&G believed that there were significant environmental benefits to be achieved through reduced SO₂ emissions, and that the Scrubber was critical to meeting future regulatory environmental requirements.

7. The construction of the Scrubber at Wateree Station was essentially completed in early 2009, but startup was delayed when a local landowner challenged the environmental permits that SCE&G received to construct a landfill and discharge pond, both of which were necessary for operation of the Scrubber. In December 2009, the Administrative Law Court ruled in SCE&G's favor on the permit challenges, and the Company has since completed construction of the landfill and discharge pond.

8. On April 26, 2010, the Scrubber was placed into operation and began treating flue gas from one unit at Wateree Station. The Scrubber began treating flue gas from the second Wateree unit three days later on April 29, 2010. Preliminary sampling results indicate that the Scrubber is removing approximately 98% of the sulfur compounds from the flue gases at

¹ On August 2, 2010, the EPA proposed a CAIR replacement rule, known as the Clean Air Transport Rule. *See* Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone, 75 Fed. Reg. 45210 (2010) (to be codified at 40 C.F.R. pts. 51, 52, 72, 78, and 97) (proposed Aug. 2, 2010). SCE&G is currently evaluating the proposed rule and any potential impacts it may have on the Company's electric utility operations. At present, the Company does not know what impact the newly proposed rule will have on its electric utility operations.

Wateree Station. The Scrubber is also significantly reducing mercury emissions. On October 12, 2010, SCE&G placed the Scrubber into commercial operation.

9. The Scrubber represents a significant capital investment for the Company, and it is providing significant benefits to SCE&G's customers and the other citizens of South Carolina. At the current Commission-approved depreciation rates for the Company, SCE&G anticipates that the annual depreciation expense for the Scrubber will total approximately \$12 million. However, SCE&G's current base rates do not provide for recovery of this depreciation expense. Therefore, the Company cannot "match" this expense with revenue generated from the use of this asset. *See generally* Commission Order No. 2008-741 issued in Docket No. 2008-393-E (discussing the matching principle under Generally Accepted Accounting Principles and noting that it is a fundamental concept in accounting).

10. Based upon the foregoing, SCE&G respectfully requests that the Commission grant the Company authorization to defer and record as a regulatory asset the depreciation expense incurred by SCE&G resulting from the operation of the Scrubber.² The Company also requests authorization to charge and record carrying costs on the balance in the regulatory asset account (which will include amounts associated with the deferral of incremental operation and maintenance expenses as approved by the Commission pursuant to Order No. 2008-741) as of the end of each month, with carrying costs to be calculated using the rate of interest as of the first day of each month for 3-year U.S. Government Treasury Notes, as reported in the *Wall Street*

² By Commission Order No. 2008-741 issued in Docket No. 2008-393-E, the Commission authorized SCE&G to, among other things, defer and record as a regulatory asset the incremental operation and maintenance expenses associated with the Scrubber. Pursuant to Order No. 2008-741, SCE&G will continue to account for the incremental operation and maintenance expenses of the Scrubber in this manner.

Journal, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points).

11. If the Commission approves SCE&G's request, then the Company will seek recovery of these deferred expenses in a future application to the Commission seeking approval to adjust its retail rates and charges in a general rate case proceeding. In such a proceeding, the Company will request an appropriate mechanism for the recovery of these deferred expenses. At the present time, SCE&G has not made a decision as to when the Company will seek recovery of these costs. *See generally* Commission Order No. 2010-471 (ordering that SCE&G shall not seek an increase to its non-fuel base rates and charges to be effective prior to June 2012, except as to those increases requested pursuant to S.C. Code Ann. § 58-27-865 and § 58-33-280, or as part of SCE&G's DSM/EE programs or where necessary due to unforeseen economic or financial conditions).

WHEREFORE, having set forth its Petition, SCE&G respectfully requests that the Commission issue an order authorizing SCE&G to (i) defer as a regulatory asset the depreciation expense that SCE&G will incur associated with the operation of the Scrubber at Wateree Station; (ii) charge and record the carrying costs on the balance in this regulatory asset account (which will include amounts associated with the deferral of incremental operation and maintenance expenses as approved by the Commission pursuant to Order No. 2008-741) as of the end of each month, with carrying costs to be calculated using the rate of interest as of the first day of each month for 3-year U.S. Government Treasury Notes, as reported in the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points); and (iii) grant such other and further relief as is just and proper.

[SIGNATURE PAGE FOLLOWS]

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Chad Burgess", is written over a horizontal line.

K. Chad Burgess, Esquire
Matthew W. Gissendanner, Esquire
Mail Code C222
220 Operation Way
Cayce, SC 29033-3701
Telephone: 803-217-8141
Facsimile: 803-217-7931
chad.burgess@scana.com
matthew.gissendanner@scana.com

Attorneys for Petitioner
South Carolina Electric & Gas Company

November 1, 2010
Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2010 - ____ - E

IN RE:

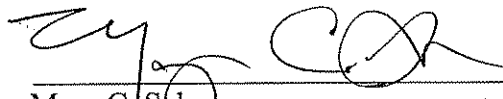
Petition of South Carolina Electric & Gas
Company for authorization to defer as a
regulatory asset the depreciation expense
incurred from the operation of certain
pollution control facilities and to charge
and record carrying costs on the account
balance.

**CERTIFICATE OF
SERVICE**

This is to certify that I have caused to be served this day one (1) copy of the **Petition of South Carolina Electric & Gas Company for authorization to defer as a regulatory asset the depreciation expense incurred from the operation of certain pollution control facilities and to charge and record carrying costs on the account balance** to the following person in the manner and at the address set forth below:

Via Electronic Mail and First Class U.S. Mail

Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201



Mary C. Salane

Cayce, South Carolina
This 1st day of November, 2010